

TESTIMONY SUBMITTED TO THE COMMERCE COMMITTEE

March 1, 2011

*Ronald Angelo, Acting Commissioner
Department of Economic and Community Development*

SB 1066 – AN ACT CONCERNING REVISIONS TO ECONOMIC DEVELOPMENT STATUTES

The Department of Economic and Community Development offers the following comments in **SUPPORT** of *SB 1066 An Act Concerning Revisions to Economic Development Statutes*.

DECD supports these statutory amendments which are necessary to update and modify existing statutes in order to better serve Connecticut's industries and communities.

This bill will ensure that our programs and initiatives are modernized to meet the state's current economic development needs and allow for their implementation in a more efficient manner.

Sections 1-6 of this bill propose to amend and update various statutes to replace references to the Standard Industrial Classification (SIC) system of 1967, with references to the North American Industrial Classification System (NAICS). The federal government replaced the SIC system with NAICS in 1997. Businesses no longer have SIC codes. It is important to note that SIC codes do not translate one for one to NAICS codes. In some instances, the SIC codes have been combined into a single NAICS code; individual SIC codes were split into two or more NAICS codes; industries contained in one SIC major group may have been redistributed into two or more NAICS major groups; and industries in two or more different SIC major groups may have been combined into one NAICS major group, etc. Reflecting those changes better aligns the industry classifications with the eligibility standards set forth in the state's Manufacturing Assistance Act (MAA). MAA is one of DECD's main economic development tools. This amendment will create efficiencies among various economic development programs and modernize our programs' statutory provisions to better reflect the current and anticipated industry mix in Connecticut. It will also increase ease of use and interpretation by agency staff and reduce or eliminate conflict among programs therefore making it easier to provide comprehensive business assistance to DECD's clients.

Sections 7-8 provide for the direct repayment of principal due under the Energy Conservation Loan Program into the Energy Conservation Loan Fund (ECLF) created under CGS Section 16a-40. Currently, principal repayments are deposited into the Housing Repayment and Revolving Loan Fund, and then at the end of the fiscal year, transferred to the ECLF. This proposal will streamline the deposit process. The principal repayments will be deposited directly into the ECLF, eliminating the need for a transfer, thus saving staff time and improving efficiency.

Sections 9-10 proposes to eliminate the duplicative reporting requirements for DECD to report on the development research and economic assistance matching grant program. Currently DECD provides this information in its annual report. In accordance with Section 32-1m of the Connecticut General Statutes, DECD submits a comprehensive annual report every fiscal year on DECD's economic, community and housing development activities. This report provides updates to the General Assembly, policymakers and others on the department's programs and the progress, performance and impacts of its initiatives.

Section 11 amends CGS Section 32-256, the Small Business Incubator Program, to allow the DECD to provide financial assistance directly to small businesses located in small business incubators as well as to the entities that operate the incubator facilities. This program fosters innovation, entrepreneurship and business creation. The Small Business Incubator Program was created and launched in December 2007 for the purpose of easing the inherently high financial burden of growing a startup technology-based business in today's economic climate.

The department would like to have the ability to directly fund companies who reside in state incubators, in addition to still providing funds to the incubator operators themselves. By receiving funding directly, companies can purchase the equipment or services they need without waiting for allocation from their incubators. This amendment provides flexibility to the program by providing two mechanisms to fund technology startups.

Section 12 of the proposed bill describes the program under CGS Section 32-290a, which is modeled after the pilot program described under CGS 32-290. The terms "dislocated workers" and "displaced homemakers", which were included in the statute governing the pilot program are not present in CGS Section 32-290a. We believe that these two target population categories should be included in an entrepreneurial program as they are the two populations that most often seek entrepreneurial training assistance. Further, as layoffs increase during difficult economic times, increasing entrepreneurial opportunities for dislocated workers (via entrepreneurial training) increases re-employment opportunities.

Section 13 deals with clarifying legislative intent regarding the newly created Bradley Development Zone. The original intent was to NOT have the Bradley Zone counted as a distressed municipality. As currently written, it would allow the municipalities in this new zone to be eligible for distressed municipality benefits. This change will rectify that and remove them as distressed municipalities.

Section 14 is a technical change to PA 10-162 that will allow for defense zone benefits to be received for the Pratt & Whitney aerospace facility in Cheshire. The benefits will be ONLY for the existing building.

Section 15 would amend the definition of a "qualified business" for the small business loan program created in PA 10-75 from 50 employees to 100 employees. Currently only companies employing 50 or less can take advantage of the loan program. This change in language would allow companies with up to 100 employees to be eligible.

Thank you for your time and consideration of the department's comments.